

The U.S. Small Business Administration (“SBA”) is pleased to announce SBA Loan Sale #5 (“Sale #5”). The Asset Sales Program was launched in 1999 to sell SBA loans in an open and competitive manner. To learn more about the Asset Sales Program and its mission, please visit the following SBA websites:

## PRELIMINARY SALE SCHEDULE 2001/2002

## PORTFOLIO INFORMATION

While the Sale #5 portfolio includes both secured and unsecured loans, this portfolio contains a larger proportion of small balance, unsecured loans than previous SBA sales. Many of these unsecured loans were originated in the SBA's Disaster Assistance Home Loan Program. Collateral for the secured loans includes business assets, residential or commercial real estate, machinery and equipment and personal property. Virtually all of the loans in Sale #5 were made with recourse to the borrower. A significant number of the loans are supported by personal, third party or corporate guaranties. All of the loans in Sale #5 will be sold servicing released. There is no SBA guaranty available to the purchasers of these loans.

The Sale #5 portfolio includes performing, sub-performing and non-performing loans originated under the following SBA Programs: (i) Disaster Assistance; (ii) 7(a) Loan Guaranty; (iii) 7(a) Direct Loan; and (iv)

The Disaster Assistance Program is SBA's largest direct loan program. It serves both individuals and small businesses. Disaster assistance loans provide capital to homeowners, renters, businesses and non-profit organizations to rebuild and/or recover in the wake of physical disasters. Two types of disaster assistance loans are included in Sale #5: home and business. The home loans are available to homeowners and renters whose residential properties have sustained physical damage. Business loans are available to small businesses and non-profit organizations, and are intended to assist victims of physical damage and/or economic injury. Economic injury disaster assistance loans provide working capital to small businesses until normal operations can resume after a physical disaster. Economic injury disaster assistance loans may be made to borrowers whose small businesses do not suffer physical damage. All of the Sale #5 Disaster Assistance Program loans will be at least two years old as of the Bid Date.

Under the 7(a) Loan Guaranty Program, SBA-approved private sector lenders originate loans to small businesses for various business purposes, and the SBA guarantees a portion of the loans against losses from default. The SBA guaranty percentage on 7(a) Guaranty loans in the Sale generally ranged from 75 percent to 80 percent, depending on the loan amount. The maximum guaranty amount was \$750,000. For all of the 7(a) Loan Guaranty Program loans included in Sale #5, the SBA has paid the originating lender the guaranty percentage and therefore no further SBA guaranty is available to the purchasers of these loans. The 7(a) Loan Guaranty Program loans in Sale #5 are currently serviced by the SBA or by the participating lender.

Under the 7(a) Direct Loan Program, the SBA originated loans directly to small business until 1995. These loans typically have smaller balances than the 7(a) Loan Guaranty Program loans, generally less than \$150,000. All of these loans are serviced by the SBA.

The Certified Development Company Program provides, in conjunction with a private sector loan, long-term, fixed-rate financing to facilitate acquisition of major fixed assets such as real estate and equipment. A typical development company is a non-profit corporation created to assist the economic development of its community by originating these loans and engaging in other development activities. Generally, a project is

To obtain additional information concerning the SBA Loan Programs described above, please visit the following SBA websites:

## SALE #5 PORTFOLIO SUMMARY (as of August 13, 2001)

**Numbers are approximate and subject to change**

Aggregate Unpaid Principal Balance	\$660,000,000							
Number of Loans	30,600							
Average Loan Balance	\$21,569							
Weighted Average Remaining Maturity (months)	214							
Weighted Average Coupon	4.41%							
SBA Loan Program	Disaster Assistance Home	Loans Business	7(a) Loans	Development Company Loans				
Aggregate Unpaid Principal Balance	\$323,000,000	\$262,000,000	\$43,000,000	\$32,000,000				
Number of Loans	24,440	5,800	270	90				
Average Loan Balance	\$13,216	\$45,172	\$159,259	\$355,556				
Weighted Average Remaining Maturity (months)	228	212	128	195				
Weighted Average Coupon	3.77%	4.05%	10.15%	7.14%				
Geographic Distribution	CA:	33%	CA:	41%	TX:	15%	UT:	12%
(Percent of Unpaid Principal Balance)	FL:	10%	FL:	9%	CA:	8%	TX:	9%
	GA:	5%	VI*:	8%	NY:	7%	NV:	8%
	IL:	4%	TX:	5%	PA:	5%	AL:	6%
	AL:	4%	GA:	3%	IN:	4%	NY:	5%
	WA:	4%	IA:	3%	SC:	4%	LA:	4%
	Other:	40%	Other:	31%	Other:	57%	Other:	56%
*Virgin Islands								

DUE DILIGENCE

Prospective bidders have a number of options for performing due diligence. All Bidder Information Packages will include Loan Information CD-ROMs. For a non-refundable assessment of \$1,000, prospective bidders will receive the Due Diligence CD-ROM and will also be able to access the Asset Review Files off-site electronically via high speed remote access, or by visiting the due diligence facility in Washington, DC from October 29, 2001 to January 14, 2002, or both. For prospective bidders interested in receiving only the Due Diligence CD-ROM and access to the Asset Review Files at the due diligence facility, the non-refundable assessment is \$500. *Due to the expected high level of interest in Sale #5, it is suggested that prospective bidders make their due diligence reservations early.* It may be necessary to limit the number of reviewers per prospective bidder and the time allotted for their review at the due diligence facility. The Sale #5 due diligence options and procedures will be further described in the Bidder Information Package.

BIDDER INFORMATION PACKAGE

On or about October 26, 2001, the Sale #5 Bidder Information Package will be available to qualified prospective bidders free of charge. The Bidder Information Package will contain detailed information concerning the bid process, Sale #5 terms and conditions, Loan Information CD-ROMs containing loan level data, due diligence reports and general information. To order a Bidder Information Package, prospective bidders must submit a completed Confidentiality Agreement and Bidder Qualification Statement. Both documents are available on the following website:

[www.sba.gov/assets/current\\_sale/sale5.html](http://www.sba.gov/assets/current_sale/sale5.html)

or by calling the Sale #5 Investor Hotline at (877) 859-4225. The completed Confidentiality Agreement and Bidder Qualification Statement must be mailed to:

**Hanover Capital Partners LTD.**  
**100 Metroplex Drive, Suite 301**  
**Edison, NJ 08817**  
**Attention: SBA Sale #5**

TEAMING ARRANGEMENTS

A number of prospective bidders have expressed the desire to team with capital resource providers, asset managers and/or loan servicers. To accommodate this interest in teaming, the KPMG Consulting Team will maintain and make available to interested persons a list of prospective bidders or contractors interested in teaming. To include your name on this list, please contact the KPMG Consulting Team, as directed below. The list will be distributed to all qualified prospective bidders.

FURTHER INFORMATION

For further information concerning Sale #5, please visit the SBA Asset Sale website at:

[www.sba.gov/assets/current\\_sale/sale5.html](http://www.sba.gov/assets/current_sale/sale5.html)

The website provides information about current and past SBA Sales, general information about the SBA, and answers to frequently asked questions. If you have any questions concerning Sale #5, please contact the KPMG Consulting Team:

POINTS OF CONTACT FOR SBA SALE #5

Toll Free Number: (877) 859-4225  
Facsimile Number: (732) 572-5959  
E-Mail Address: [us-sba-sale5@kpmg.com](mailto:us-sba-sale5@kpmg.com)

DISCLAIMER

Neither the SBA, KPMG Consulting, Inc. (“KPMG Consulting”), Hanover Capital Partners LTD. (“Hanover Capital”), Whitestone Capital Group, Inc., Deva & Associates, P.C., nor any of their respective contractors, subcontractors, affiliates, directors, officers, employees, advisors or agents, make any representation or warranty, whether express, implied or arising by operation of law, as to the accuracy or completeness of the information contained in this announcement or made available to prospective bidders in connection with Sale #5 and no legal liability with respect thereto is assumed or may be implied. KPMG Consulting and Hanover Capital are acting as transaction financial advisors to the SBA and have not audited or independently verified, and do not endorse, any portion of the financial information contained in this announcement or made available to prospective bidders in connection with Sale #5. *No person has been authorized to make any written or oral representation as to the accuracy or completeness of the information contained or the materials referred to in this announcement and, if any representation or warranty is given or made, it must not be relied upon.* The purchase of loans involves risks and prospective bidders should, along with their advisors, undertake any investigation necessary to understand and evaluate the risks associated with such purchase. Except as otherwise explicitly stated in the Loan Sale Agreement (the form of which will be included in the Bidder Information Package), the loans are being sold “AS IS,” “WHERE IS,” “WITH ALL FAULTS” and without any recourse whatsoever.

*This announcement is not an offer to sell or a solicitation for an offer to buy loans.*



**U.S. Small Business Administration**

**409 Third Street, SW  
Washington, DC 20416**

**Announces**

**SBA Loan Sale #5**



**Bid Date: January 15, 2002**

Unpaid  
Principal Balance: \$660 million (approximate)  
Number of Loans: 30,600 (approximate)

**Transaction Financial Advisors**



**HANOVER CAPITAL PARTNERS LTD.**

**Due Diligence Contractor  
Deva & Associates, P.C.**

**Asset Sales Program Financial Advisor**  
 **Whitestone Capital Group, Inc.**